

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 1018**

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**Introduced by Assembly Member Conway**

February 22, 2013

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An act to ~~amend Section 1389.5 of the Health and Safety Code, relating to health care service plans~~ *add Section 17131.11 to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.*

### LEGISLATIVE COUNSEL'S DIGEST

AB 1018, as amended, Conway. ~~Health care service plans: transfers to different individual plans. Income taxes: deduction: medical expenses.~~

*The Personal Income Tax Law defines gross income as all income from whatever source derived, unless specifically excluded.*

*This bill would exclude from gross income \$\_\_\_\_\_ for qualified expenses, as defined, for specified medical expenses, as provided.*

*This bill would take effect immediately as a tax levy.*

~~Existing law, the Knox-Keene Health Care Service Plan Act of 1975 (the Knox-Keene Act), provides for the licensure and regulation of health care service plans by the Department of Managed Health Care and makes a willful violation of the act a crime. Existing law requires a health care service plan to permit an individual who has been covered for at least 18 months under an individual plan contract to transfer, without medical underwriting, as defined, to another individual plan contract offered by the same health care service plan, that provides equal or lesser benefits.~~

~~This bill would make technical, nonsubstantive changes to these provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. Section 17131.11 is added to the Revenue and  
2     Taxation Code, to read:  
3     17131.11. (a) For each taxable year beginning on or after  
4     January 1, 2013, gross income shall not include \_\_\_\_ dollars  
5     (\$\_\_\_\_) of qualified expenses.  
6     (b) For purposes of this section, “qualified expenses” means  
7     expenses paid during the taxable year, not compensated for by  
8     insurance or otherwise, for medical care of the taxpayer, the  
9     taxpayer’s spouse or registered domestic partner, or a dependent,  
10    for any of the following:  
11    (1) Medical care, as defined by Section 213 of the Internal  
12    Revenue Code, relating to medical, dental, etc., expenses.  
13    (2) Preventative care, as that term is used in Section  
14    223(c)(2)(C) of the Internal Revenue Code, relating to high  
15    deductible health plan.  
16    (3) Care provided for an elderly dependent within the taxpayer’s  
17    home or at a day facility.  
18    (c) The exclusion from gross income under this section shall be  
19    in addition to any deduction for qualified expenses that is allowed  
20    under Section 17201, relating to a deduction for unreimbursed  
21    expenses paid for medical care.  
22    SEC. 2. This act provides for a tax levy within the meaning of  
23    Article IV of the Constitution and shall go into immediate effect.  
24    SECTION 1. ~~Section 1389.5 of the Health and Safety Code is~~  
25    ~~amended to read:~~  
26    ~~1389.5. (a) This section shall apply to a health care service~~  
27    ~~plan that provides coverage under an individual plan contract that~~  
28    ~~is issued, amended, delivered, or renewed on or after January 1,~~  
29    ~~2007.~~  
30    ~~(b) At least once each year, the health care service plan shall~~  
31    ~~permit an individual who has been covered for at least 18 months~~  
32    ~~under an individual plan contract to transfer, without medical~~  
33    ~~underwriting, to any other individual plan contract offered by that~~  
34    ~~same health care service plan that provides equal or lesser benefits,~~  
35    ~~as determined by the plan.~~

1     ~~“Without medical underwriting” means that the health care~~  
2     ~~service plan shall not decline to offer coverage to, or deny~~  
3     ~~enrollment of, the individual or impose a preexisting condition~~  
4     ~~exclusion on the individual who transfers to another individual~~  
5     ~~plan contract pursuant to this section.~~

6     ~~(e) The plan shall establish, for the purposes of subdivision (b),~~  
7     ~~a ranking of the individual plan contracts it offers to individual~~  
8     ~~purchasers and either post the ranking on its Internet Web site or~~  
9     ~~make the ranking available upon request. The plan shall update~~  
10    ~~the ranking whenever a new benefit design for individual~~  
11    ~~purchasers is approved.~~

12    ~~(d) The plan shall notify in writing all enrollees of the right to~~  
13    ~~transfer to another individual plan contract pursuant to this section;~~  
14    ~~at a minimum, when the plan changes the enrollee’s premium rate.~~  
15    ~~Posting this information on the plan’s Internet Web site shall not~~  
16    ~~constitute notice for purposes of this subdivision. The notice shall~~  
17    ~~adequately inform enrollees of the transfer rights provided under~~  
18    ~~this section, including information on the process to obtain details~~  
19    ~~about the individual plan contracts available to that enrollee and~~  
20    ~~advising that the enrollee may be unable to return to his or her~~  
21    ~~current individual plan contract if the enrollee transfers to another~~  
22    ~~individual plan contract.~~

23    ~~(e) The requirements of this section shall not apply to the~~  
24    ~~following:~~

25    ~~(1) A federally eligible defined individual, as defined in~~  
26    ~~subdivision (c) of Section 1399.801, who is enrolled in an~~  
27    ~~individual health benefit plan contract offered pursuant to Section~~  
28    ~~1366.35.~~

29    ~~(2) An individual offered conversion coverage pursuant to~~  
30    ~~Section 1373.6.~~

31    ~~(3) Individual coverage under a specialized health care service~~  
32    ~~plan contract.~~

33    ~~(4) An individual enrolled in the Medi-Cal program pursuant~~  
34    ~~to Chapter 7 (commencing with Section 14000) of Division 9 of~~  
35    ~~Part 3 of the Welfare and Institutions Code.~~

36    ~~(5) An individual enrolled in the Access for Infants and Mothers~~  
37    ~~Program pursuant to Part 6.3 (commencing with Section 12695)~~  
38    ~~of Division 2 of the Insurance Code.~~

1     ~~(6) An individual enrolled in the Healthy Families Program~~  
2     ~~pursuant to Part 6.2 (commencing with Section 12693) of Division~~  
3     ~~2 of the Insurance Code.~~  
4     ~~(f) It is the intent of the Legislature that individuals have more~~  
5     ~~choice in their health coverage when health care service plans~~  
6     ~~guarantee the right of an individual to transfer to another product~~  
7     ~~based on the plan's own ranking system. The Legislature does not~~  
8     ~~intend for the department to review or verify the plan's ranking~~  
9     ~~for actuarial or other purposes.~~

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